IJM Corporation (IJM MK)

FY26: Below Expectations, Property Remains Muted

Highlights

- **FY26 earnings missed expectations** as the property segment continued to drag earnings following weak sales.
- **Local construction earnings remained robust** while the infrastructure segment was dragged by lower cargo throughput at the ports.
- **We trim our FY27/28 forecasts by 11%/15% respectively,** imputing lower property sales and thinner margins. Maintain BUY and lower target price to RM2.48.

FY26 Results

Year to 31 Mar (RMm)	4QFY26 (RMm)	qoq % chg	yoy % chg	FY26 (RMm)	yoy % chg
Revenue	1,866.3	16.3	4.2	6,879.0	10.0
EBIT	(1.4)	(101.0)	(100.5)	534.6	(51.1)
PBT	(56.2)	(169.6)	(121.8)	298.0	(62.3)
Tax	(134.1)	105.2	7.0	(301.1)	(7.0)
Non-controlling interests	31.6	144.0	166.9	57.4	(513.2)
Perpetual sukuk	(15.2)	21.0	1.9	(51.1)	2.3
PATAMI	(173.9)	(1,203.9)	(234.9)	3.2	(99.2)
Core PATAMI	36.8	(49.3)	(78.9)	319.5	(39.4)
Margins	(%)	+/- ppt	+/- ppt	(%)	+/- ppt
EBIT	(0.1)	(8.8)	(17.6)	7.8	(9.7)
PBT	(3.0)	(8.0)	(17.4)	4.3	(8.3)
Core PATAMI	2.0	(2.6)	(7.8)	4.6	(3.8)

Source: IJM, UOB Kay Hian

Analysis

- **Below expectations.** IJM Corporation (IJM) reported a core net profit of RM319.5m (-39.4% yoy) in FY26. We arrived at this after adjusting for: a) RM19.0m in allowance for write-backs, b) RM126.8m in allowance for write-downs, c) RM3.5m in disposal gains, d) RM187.0m in unrealised forex losses, and e) RM13m in fair value gains on financial assets. FY26 core net profit missed expectations, accounting for 90% of our and 78% of consensus full-year forecasts. The negative deviation stemmed largely from weaker-than-expected property sales. IJM declared an interim dividend of 5 sen and a special dividend of 1 sen during 4QFY26, bringing the total to 7 sen for FY26 (unchanged yoy).

Key Financials

Year to 31 Mar (RMm)	2025	2026	2027F	2028F	2029F
Net turnover	6,252	6,859	7,174	7,421	7,318
EBITDA	1363	782	901	986	1041
Operating profit	1094	535	652	733	786
Net profit (rep./act.)	403	3	358	421	465
Net profit (adj.)	527	320	358	421	465
EPS (sen)	15.0	9.1	10.2	12.0	13.3
PE (x)	14.4	23.8	21.2	18.1	16.4
P/B (x)	0.7	0.8	0.8	0.7	0.7
EV/EBITDA (x)	8.2	13.3	15.1	14.9	14.9
Dividend yield (%)	3.7	3.7	2.8	3.3	3.7
Net margin (%)	6.5	0.0	5.0	5.7	6.4
Net debt/(cash) to equity (%)	30.4	24.4	53.4	62.3	68.7
Interest cover (x)	4.8	2.8	2.6	2.6	2.4
ROE (%)	3.6	0.0	3.2	3.8	4.1
Consensus net profit	-	-	505	561	-
UOBKH/Consensus (x)	-	-	0.7	0.8	-

Source: IJM Corporation, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM2.17
Target Price	RM2.48
Upside	+14.3%
Previous TP	RM2.60

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Stock Data

GICS sector	Industrials
Bloomberg ticker:	IJM MK
Shares issued (m):	3,506.2
Market cap (RMm):	7,606.2
Market cap (US$m):	1,911.6
3-mth avg daily t'over (US$m):	5.9

Price Performance (%)

52-week high/low				RM3.10/RM2.07
1mth	3mth	6mth	1yr	YTD
(8.8)	(13.5)	(6.1)	(10.7)	(4.4)

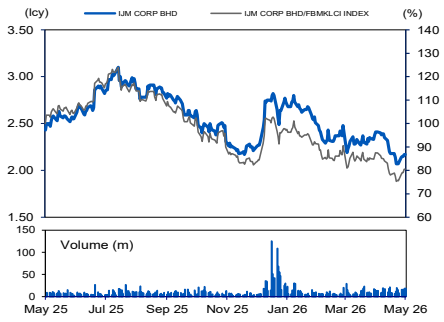
Major Shareholders %

Employees Provident Fund	20.5
Amanah Saham Nasional	12.9
KWAP	10.6

Balance Sheet Metrics

FY27 NAV/Share (RM)	2.85
FY27 Net Debt/Share (RM)	0.69

Price Chart



Source: Bloomberg

Company Description

A conglomerate with exposure in construction, property, plantation and concession assets.

- **IJMC remained robust…** IJM's construction segment reported revenue of RM969.5m (+12.8% qoq, +15.2% yoy) and pre-tax profit of RM28.7m (-49.4% qoq, -30.6% yoy) in 4QFY26. Outstanding orderbook came in at RM14.7b, comprised of RM7.1b in local jobs and RM7.6b via its Singapore and UK associates. Total local replenishments came in at RM7.9b, reaching the higher end of its RM6.0b-8.0b replenishment target for the year. IJM also provided a breakdown of earnings by geographical segment. IJM Construction (IJMC), which covers its local and Singapore segments, delivered strong pre-tax profit growth in FY26, with PBT rising 51.3% yoy to RM247.6m. However, results were dragged by wider losses from its overseas associates with its UK and Indian arms reporting net losses of RM104.4m (>2x yoy) due to unfavourable forex movements. Looking forward, IJM is targeting RM9.0b in replenishments in FY27, with RM6.0b expected from Malaysia and RM3.0b from overseas. Earnings in FY27 are likely to pick up as the fast-track data centre (DC) contracts secured recently kick in.
- **…but property remained muted.** The property segment reported minor losses of RM93.4m (3QFY26: RM0.8m losses, 4QFY25: RM118.6m profit) in 4QFY26. We note that a large portion of the losses was due to a RM121.6m inventory impairment related to its Hui Hai Plaza development in Shanghai. Excluding these impairments, core PBT came in at RM71.9m (+32.9% yoy) and RM108.5m (-71.9% yoy) in 4QFY26 and FY26 respectively. IJM fell short of its property sales target again in FY26, with total sales coming in at RM1.8b vs its RM2.0b target. Looking forward, while IJM has set its sales target at RM1.8b-2.0b for FY27, we remain slightly conservative on the segment given its inconsistent track record thus far.
- **Infrastructure outlook mixed.** IJM's infrastructure arm reported pre-tax losses of RM33.2m (3QFY26: RM40.0m profit, 4QFY25: RM30.6m profit) in 4QFY26. Looking to the individual segments, the toll segment posted LBT of RM48.9m (4QFY25: RM0.9m loss). Local tollway earnings declined due to the non-recognition of a RM21.2m toll compensation following the restructuring of the NPE concession while IJM's overseas highways were hit by forex losses and higher provisions for resurfacing costs following an increase in bitumen prices. Looking to the ports, cargo throughput remained depressed as shipments from Alliance Steel were impacted by the maintenance on its blast furnaces. However, IJM shared that Alliance Steel's maintenance was completed in Apr 26 with throughput expected to pick up moving forward. The group is also currently looking to diversify into new liquid cargo streams via key projects such as Petronas' carbon capture and storage programme.
- **Monetisation timelines remain key.** Management shared key updates on its value crystallisation efforts. Specifically, the group is targeting a shareholder distribution of RM3.0b over the next three years following the listing of IJMC, the monetisation of its tolls and the disposal of its Indian assets. While details are still preliminary, the group targets for most of the monetisation efforts to be completed within the next two years, with the IJMC listing specifically targeted for 3Q27. Overall, we view these monetisation efforts as a key re-rating catalyst for the group. However, we remain wary given the accelerated timelines and difficulty listing these entities at upcycle valuations.

Valuation/Recommendation

- **Maintain BUY with a lower target price of RM2.48 (from RM2.60).** Our SOTP-based target price implies 21.1x FY27 PE, roughly +1.0SD to its five-year mean.

Earnings Revision/Risk

- **We cut our FY27/28 earnings estimates by 11%/15% respectively**, imputing lower property sales and wider losses from its overseas assets.

4QFY26 Results – PBT Breakdown

	4QFY26 (RMm)	qoq % chg	yoy % chg
Construction*	28.7	(49.4)	(30.6)
Property dev.*	(93.4)	n.a.	(178.8)
Industrial	53.9	14.4	(2.2)
Infrastructure	(33.2)	(183.0)	(208.6)
Others	(12.2)	(72.8)	(204.7)
Total	(56.2)	(141.3)	(121.8)
PBT Margins (%)		+/-ppt	+/-ppt
Construction	3.0	(3.6)	(2.0)
Property dev.	(23.4)	(23.0)	(52.3)
Industrial	17.1	1.5	(2.8)
Infrastructure	(19.4)	(41.4)	(31.5)

**Adjusted for unrealised forex losses*
Source: IJM

Outstanding Orderbook

TOTAL OUTSTANDING ORDER BOOK @ 31 MARCH 2026
RM 14.7 billion
IJM
Outstanding Order Book
RM 7.1 billion
49% industrial building jobs (RM3.5 billion)
SINGAPORE
Outstanding Order Book
RM 2.4 billion (SGD 745m)
IJM's 45.5% share of Hexacon's order book @ SGD 1.6 billion
UK
Outstanding Order Book
RM 5.2 billion (£0.9 billion)
IJM's 50% share of JRL's order book @ £1.9 billion
• Contracts secured: £1.1 billion
• Contracts awarded, being finalised: £0.8 billion
Share of Associates

Source: IJM

Sotp Valuation

	Value (RMm)	Remarks
Construction	3,797	18x FY27F PE
Industry	2,640	
Infrastructure assets	3,529	Cost of equity 8%
Property	2,059	40% discount to RNAV
Other Investments	583	
Less: Net debt	-1,755	End-FY26
Total SOP value	10,852	
Enlarged sharebase	3,507	
FD SOP/share	3.09	
Discount	20%	
Fair value/share (RM)	2.48	
Implied FY27F PE (x)	24.8	

Source: UOB Kay Hian

Environmental, Social, Governance (ESG) Updates

Environmental
- Achieved emissions avoidance of 5,176 tCO2e in FY25 from renewable energy generation, waste recycled and the purchase of renewable energy certificates

Social
- Spent RM2.4m in social contributions to support the community in FY25.

Governance
- Aligned with the principles of the Malaysian Code on Corporate Governance.

Profit & Loss

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Net turnover	6,859	7,174	7,421	7,318
EBITDA	782	901	986	1,041
Deprec. & amort.	247	250	252	255
EBIT	535	652	733	786
Associate contributions	39	76	116	161
Net interest income/(expense)	(276)	(343)	(385)	(426)
Pre-tax profit	298	384	465	520
Tax	(301)	(92)	(112)	(125)
Minorities	(51)	9	11	12
Preferred dividends	57	57	57	57
Net profit	3	358	421	465
Net profit (adj.)	320	358	421	465

Balance Sheet

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Fixed assets	4,973	6,398	7,821	9,242
Other LT assets	5,466	5,542	5,658	5,819
Cash/ST investment	1,962	1,760	1,601	1,681
Other current assets	10,551	12,649	12,957	12,764
Total assets	22,952	26,349	28,038	29,506
ST debt	833	2,288	2,566	2,843
Other current liabilities	6,393	6,612	7,204	7,576
LT debt	3,770	5,339	5,986	6,634
Other LT liabilities	972	991	1,005	1,002
Shareholders' equity	10,845	10,988	11,157	11,343
Minority interest	139	130	120	108
Total liabilities & equity	22,952	26,349	28,038	29,506

Cash Flow

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Operating	288	404	486	750
Pre-tax profit	298	384	465	520
Tax	(292)	(92)	(112)	(125)
Deprec. & amort.	247	250	252	255
Associates	(39)	(76)	(116)	(161)
Working capital changes	(39)	(174)	(116)	148
Other operating cashflows	113	113	113	113
Investing	(1,052)	(1,052)	(1,052)	(1,052)
Capex (growth)	(1,675)	(1,675)	(1,675)	(1,675)
Proceeds from sale of assets	610	610	610	610
Others	13	13	13	13
Financing	303	473	435	409
Dividend payments	(280)	(215)	(253)	(279)
Proceeds from borrowings	925	925	925	925
Others/interest paid	(342)	(237)	(237)	(237)
Net cash inflow (outflow)	(462)	(176)	(132)	106
Beginning cash & cash equivalent	2,450	1,962	1,760	1,601
Changes due to forex impact	(26)	(26)	(26)	(26)
Ending cash & cash equivalent	1,962	1,760	1,601	1,681

Key Metrics

Year to 31 Mar (%)	2026.0	2027F	2028F	2029F
Profitability				
EBITDA margin	11.4	12.6	13.3	14.2
Pre-tax margin	4.3	5.4	6.3	7.1
Net margin	0.0	5.0	5.7	6.4
ROA	0.0	1.5	1.5	1.6
ROE	0.0	3.2	3.8	4.1
Growth				
Turnover	9.7	4.6	3.4	(1.4)
EBITDA	(42.6)	15.3	9.4	5.6
Pre-tax profit	(62.3)	28.9	21.0	11.9
Net profit	(99.2)	10,921.8	17.7	10.3
Net profit (adj.)	(39.4)	12.1	17.7	10.3
EPS	(39.4)	12.1	17.7	10.3
Leverage				
Debt to total capital	41.9	68.6	75.8	82.8
Debt to equity	42.4	69.4	76.7	83.6
Net debt/(cash) to equity	24.4	53.4	62.3	68.7
Interest cover (x)	2.8	2.6	2.6	2.4

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